

Current Economic Conditions in the Eighth Federal Reserve District

Memphis Zone

December 23, 2010

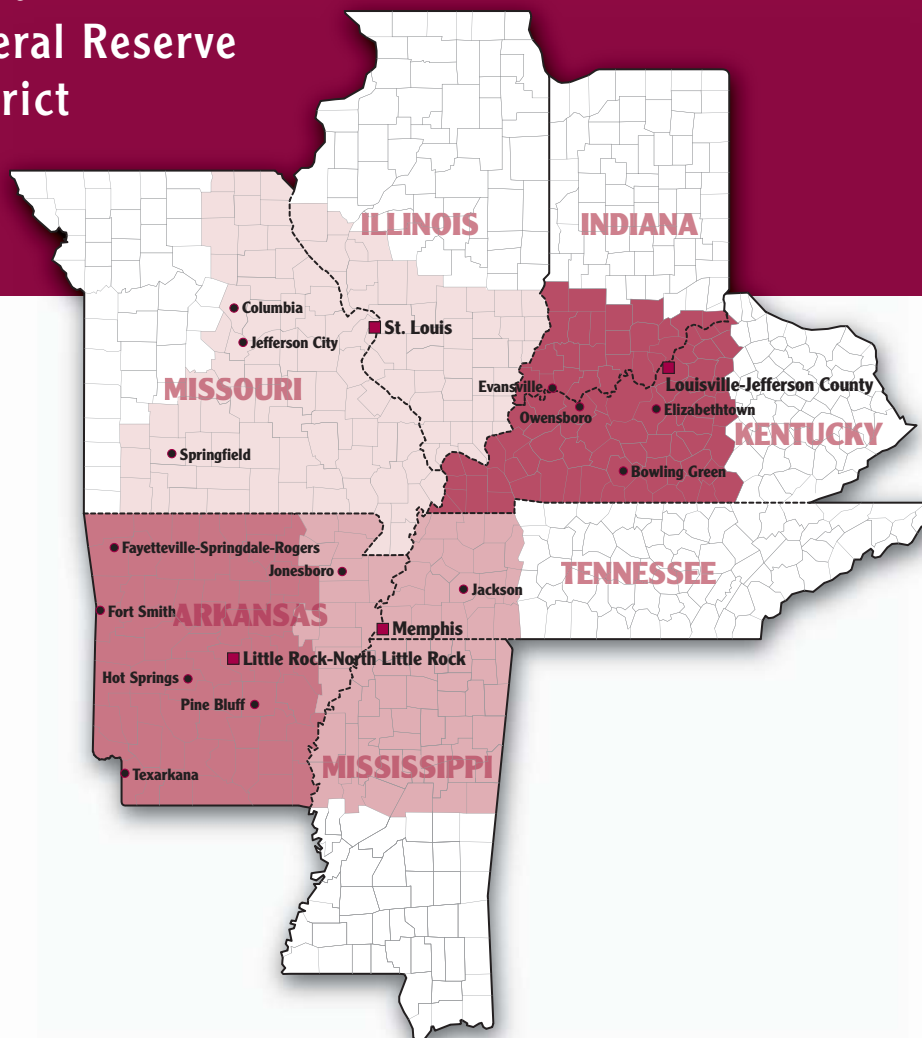
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CRE8

Center for Regional Economics—8th District



Eighth Federal Reserve District



This report (known as the *Burgundy Book*) summarizes information on economic conditions in the Memphis zone of the Eighth Federal Reserve District (see map above), headquartered in St. Louis. Separate reports have also been prepared for the Little Rock, Louisville, and St. Louis zones and can be downloaded from the CRE8 website (research.stlouisfed.org/regecon/).

The first section of this report summarizes information provided by various contacts within the District and is similar to the type of information found in the Fed's *Beige Book* (federalreserve.gov/fomc/beigebook/2010/). The period covered by this section coincides roughly with the two *Beige Book* periods immediately preceding this report. The second section includes government-provided data for the metro areas and states of the Memphis zone. These data are the most recent available at the time this report was assembled.

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Memphis Zone Report—December 23, 2010

At the close of November, the annual growth of employment, building permits, and housing prices was –1.3 percent, 29.5 percent, and –1.3 percent in the Memphis MSA and 0.7 percent, 5.8 percent, and –1.2 percent in the nation. The annual growth of personal income was 3.3 percent in Tennessee and 2.1 percent in the nation. In the past three months, local employment fell by an average of 0.1 percent per month, while the nation’s remained constant. The unemployment rate in Memphis (9.8 percent) was higher than the nation’s (9.5 percent). According to half of the indicators, the Memphis zone has been outperformed by the nation. This view coincides with somewhat negative anecdotal reports from retailers, car dealers, and construction firms but contrasts with mildly positive reports by bankers in the area.

General Retailers

- October and early November sales increased compared with the same time last year for half the contacts.
- Sales were below expectations for four out of five contacts.
- Sales were expected to increase in this quarter relative to the same time last year for two out of three contacts.

Car Dealers

- October and early November sales increased compared with the same time last year for two out of five contacts.
- Sales were expected to increase or remain constant in this quarter relative to the same time last year for three out of five contacts.

Manufacturing

- Automobile parts, detergent, and frozen food contacts plan to expand operations and hire workers.
- Tobacco and appliances contacts plan to decrease operations and employment.

Services

- A contact in air transportation support plans to open a facility and hire workers.
- Hotel, gambling, transportation, and business support contacts plan to decrease operations and employment.

Real Estate

- Home sales for January through October were 7 percent lower than last year’s.
- Single-family housing permits for January through October were 11 percent higher than last year’s.

- Between the second and third quarters, industrial and downtown office vacancy rates decreased and increased, respectively. Suburban office vacancy rates remained the same.

Construction

- A contact in the northeast Arkansas region reported that commercial construction remains at a “virtual standstill” and there are “few forthcoming projects.”

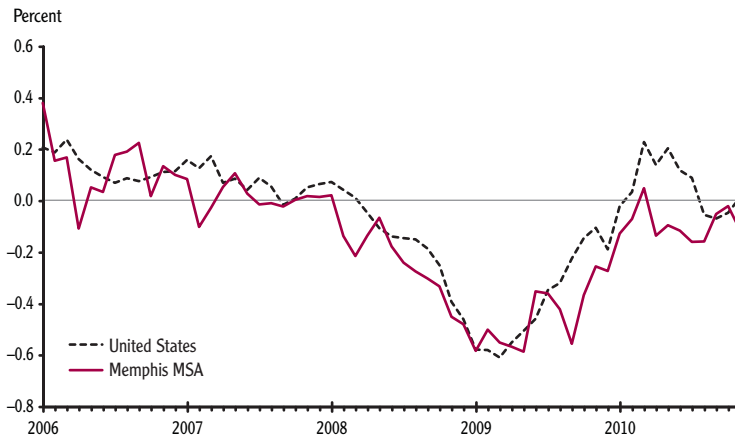
Banking and Finance

- Consumer loan demand increased slightly because of an “uptick” in the demand for auto loans.
- Demand for business loans was relatively unchanged.
- An increase in refinancing activity outweighed a decrease in new loan demand in the residential mortgage loan category.
- Delinquency rates in the region have improved.
- Little or no change was reported in deposits.

Agriculture

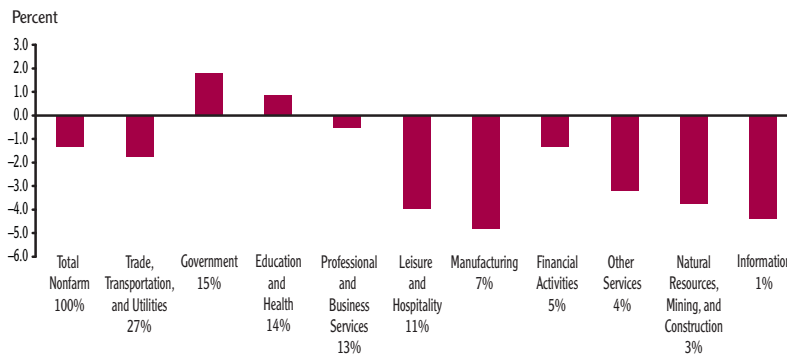
- Weather conditions remained dry in the Memphis zone, with lower than average rainfall in this quarter.
- Crop harvests progressed ahead of schedule. At least 98 percent of all cotton and soybean crops were harvested by early November, while 43 percent of the tobacco crop was also harvested in Tennessee.
- Sorghum and rice yields decreased by at least 3 percent, while cotton yields increased by at least 7 percent.
- Winter wheat planting and crop growth outpaced the 2009 and 5-year average levels by at least 3 percent.

Nonfarm Payroll Employment Growth 3-Month Average, SA, January 2006–November 2010



Memphis’s recession-related decline in employment, centered on January 2009, was similar to that of the nation overall. Signs of recovery are incipient in Memphis, which experienced positive growth only in March 2010. Average monthly employment contracted 0.1 percent in Memphis during the past three months, while it expanded 0.01 percent in the nation.

Memphis MSA Employment Growth by Sector Year/Year Percent Change, November 2009–November 2010



Employment growth by sector during the past 12 months distinguishes general trends from sector-specific trends in Memphis’s economic performance. Annual employment fell by 1.3 percent in the Memphis MSA, compared with a 0.7 percent increase for the United States. The three largest sectors in Memphis are Trade, Transportation, and Utilities; Government; and Education and Health, accounting for 27 percent, 15 percent, and 14 percent of Memphis area employment. Growth in these three sectors was –1.7 percent, 1.8 percent, and 0.9 percent, respectively. With the exception of the Government and Education and Health industries, sectoral and aggregate employment changes in Memphis moved primarily in the same negative direction. The Government sector had the best performance in Memphis, while manufacturing, which accounts for 7 percent of total employment, had the worst performance (–4.8 percent).

Memphis Zone—MSA Employment and Unemployment

Nonfarm payroll employment percent change,
November 2009–November 2010

	Nonfarm payroll employment percent change, November 2009–November 2010			Unemployment rate October 2010
	Total	Goods producing	Service providing	
Memphis	-1.34	-4.48	-0.94	9.8
Jackson, Tenn.	0.35	-0.88	0.65	9.9
United States	0.64	0.34	0.69	9.5

NOTE: Sector-level employment data are not available for Jonesboro Ark.; as a result, this MSA is not included in the previous chart or in this table.
SOURCE: Bureau of Labor Statistics.

Employment contraction in the Memphis zone is substantial in the Memphis MSA. This holds for both goods-producing and service-producing activities. The highest unemployment rate in the Memphis zone was registered in the Jackson MSA at 9.9 percent. The unemployment rate in both Memphis and Jackson are higher than the 9.5 percent rate for the United States.

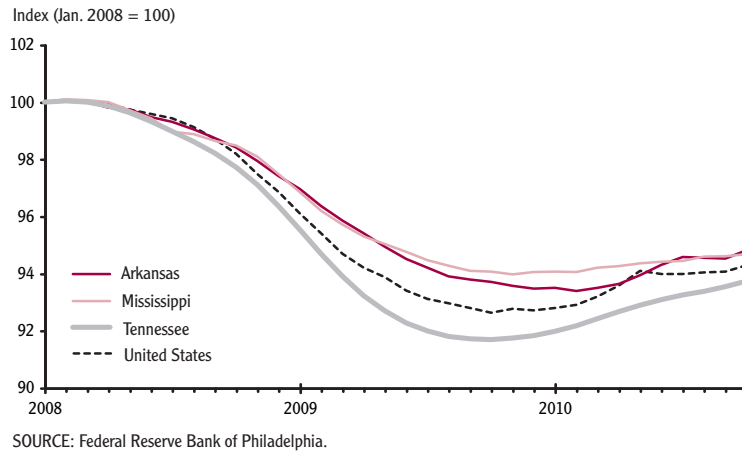
Memphis Zone—MSA Housing Activity

	Total building permits, units year-to-date		House price index, percent change, 2010:Q3/2009:Q3
	October 2010	Percent change	
Memphis	2,318	29.5	-1.26
Jackson, Tenn.	196	4.3	-3.04
Jonesboro, Ark.	557	64.3	-1.18
United States	510,880	5.8	-1.19

SOURCE: Bureau of the Census, Federal Housing Financing Authority.

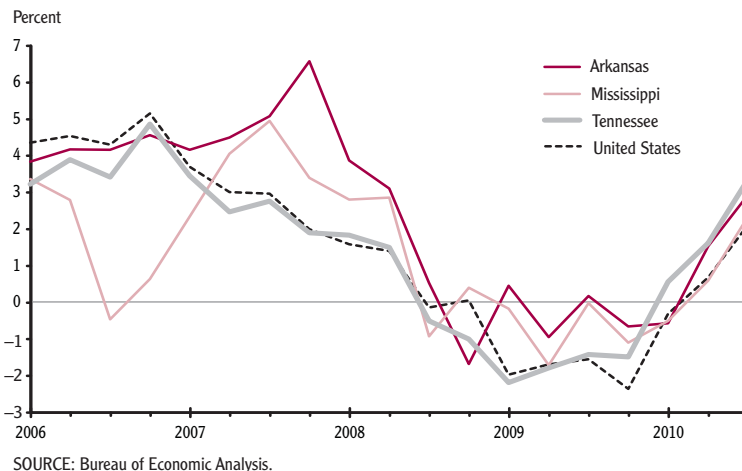
The 29.5 percent expansion of building permits in the Memphis MSA lies between the 4.3 percent expansion in the Jackson MSA and the 64.3 percent increase in the Jonesboro MSA. This expansion was remarkable compared with a 5.8 percent expansion for the United States. The 1.3 percent house price decrease in the Memphis MSA was roughly similar to the 1.2 percent decreases in the Jonesboro MSA and a little less than half the decrease in the Jackson MSA. This decrease was comparable with the 1.2 percent decrease for the United States.

Memphis Area Coincident Economic Activity Index



The Philadelphia Fed's coincident index combines information on payroll employment, wages, unemployment, and hours of work to give a single measure of economic performance. Both Arkansas's and Mississippi's coincident indices reveal a milder impact of the recession and a quicker recovery compared with the nation. The index bottomed at 93.4 for Arkansas and 94.0 for Mississippi, while it bottomed at 92.6 for the United States. Current values of the index suggest that economic activity in Arkansas is at 94.8 percent and Mississippi at 94.7 percent of its pre-recession levels, while it is at 94.3 percent in the nation. On the other hand, Tennessee's coincident index reveals a stronger impact of the recession and a slower recovery compared with the nation. The index bottomed 91.7 percent. Current values of the index suggest that economic activity in Tennessee is at 93.7 percent and still below the nation's. In summary, the economic environment of states in the Memphis zone should be slightly better than the nation's.

Memphis Area Real Personal Income Growth Percent Change, Year/Year



In mid-2007, several periods before the national recession, personal income growth in Arkansas and Mississippi was above the nation's, while Tennessee's was roughly similar. The recession's impact on Arkansas and Mississippi personal income growth has been slightly milder and the recovery in all three states has been similar to the nation's. Between the third quarter of 2009 and the third quarter of 2010, personal income grew 2.3 percent, 2.9 percent, and 3.3 percent in Mississippi, Arkansas, and Tennessee, respectively, compared with 2.1 percent in the nation.